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Alberta Government Telephones

ANNUAL REPORT

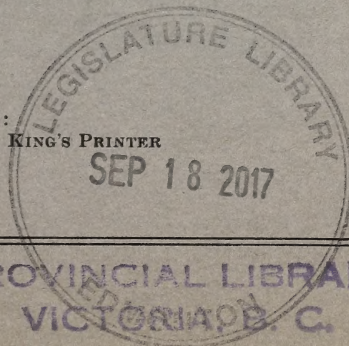
For the Fiscal Year Ending

December 31st, 1924

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Alberta Government Telephones

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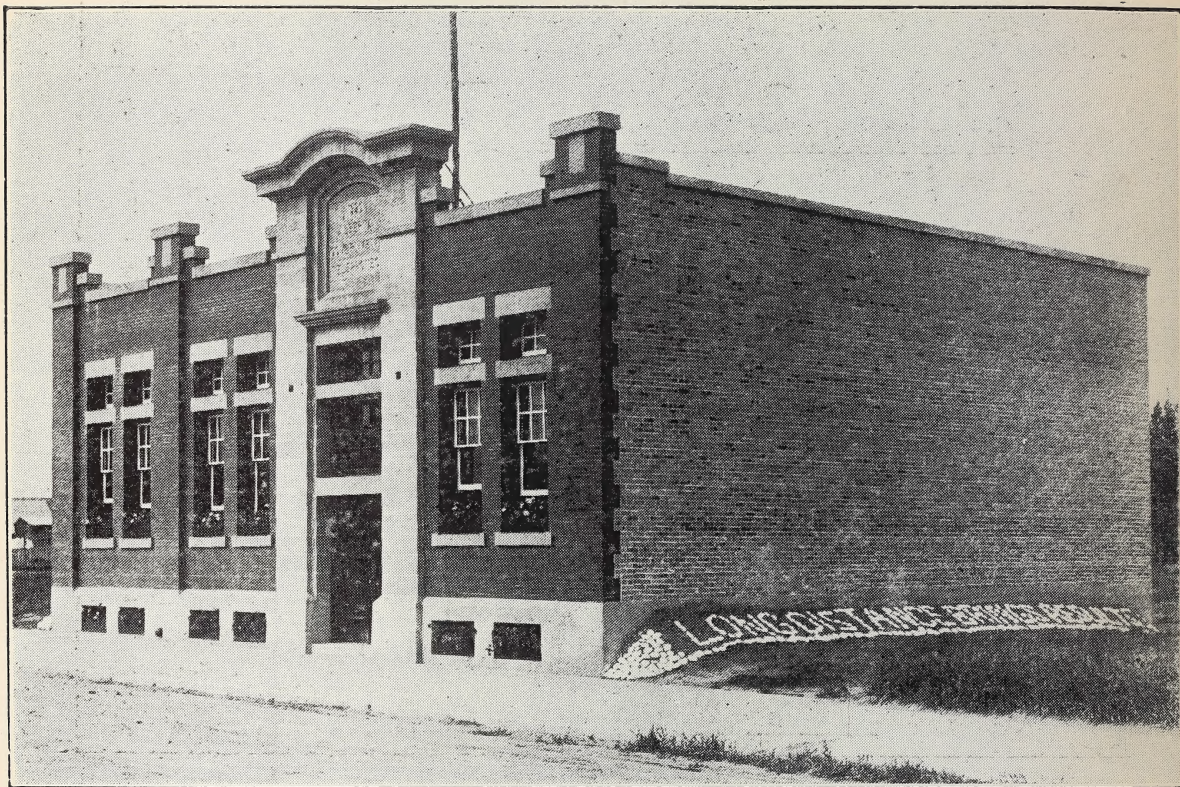
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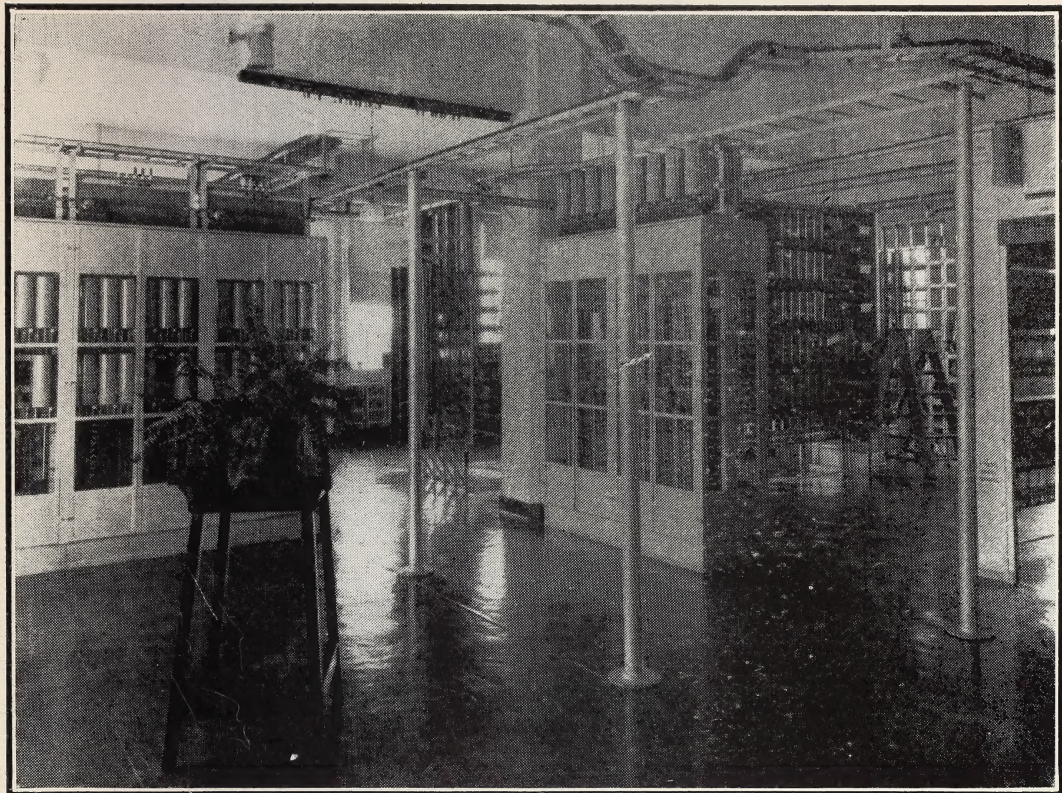
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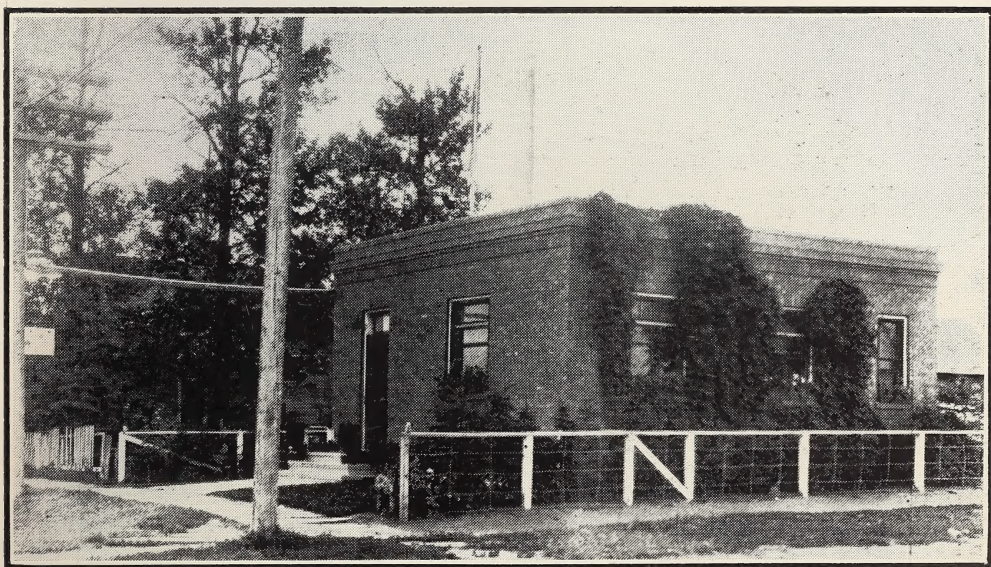
Red Deer Office.



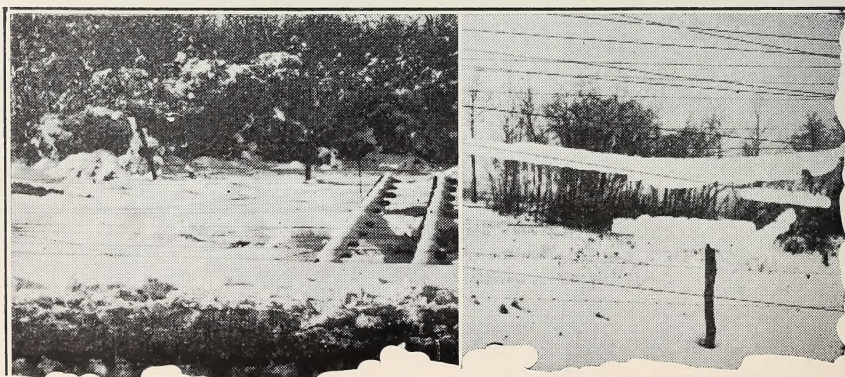
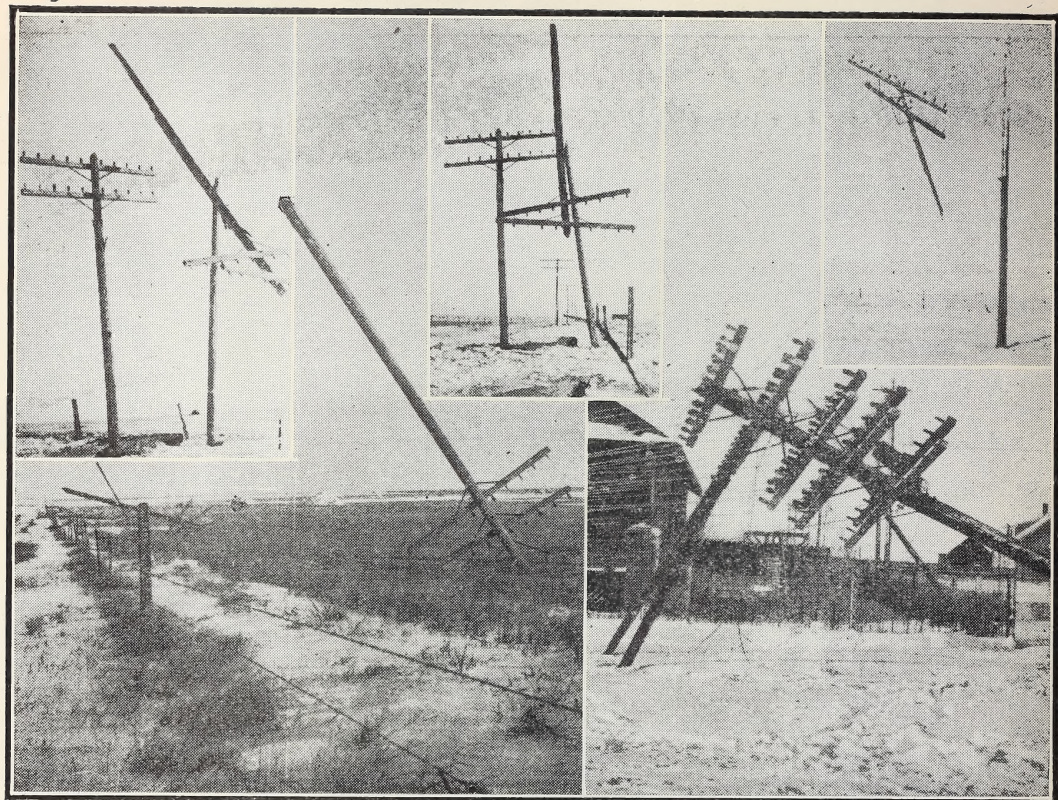
Medicine Hat Office.



Interior, Typical Automatic Switchroom—Lethbridge.



Typical Small Exchange Building—Innisfail.



Some of the Storm Damage, November—December, 1924.

EDMONTON, Alberta, February 18th, 1925.

To His Honour

ROBERT GEORGE BRETT,

Lieutenant Governor of the Province of Alberta,

Edmonton, Alberta.

SIR,—I have the honour to transmit the Thirteenth Annual Report of the Department of Telephones for the year ending December 31, 1924.

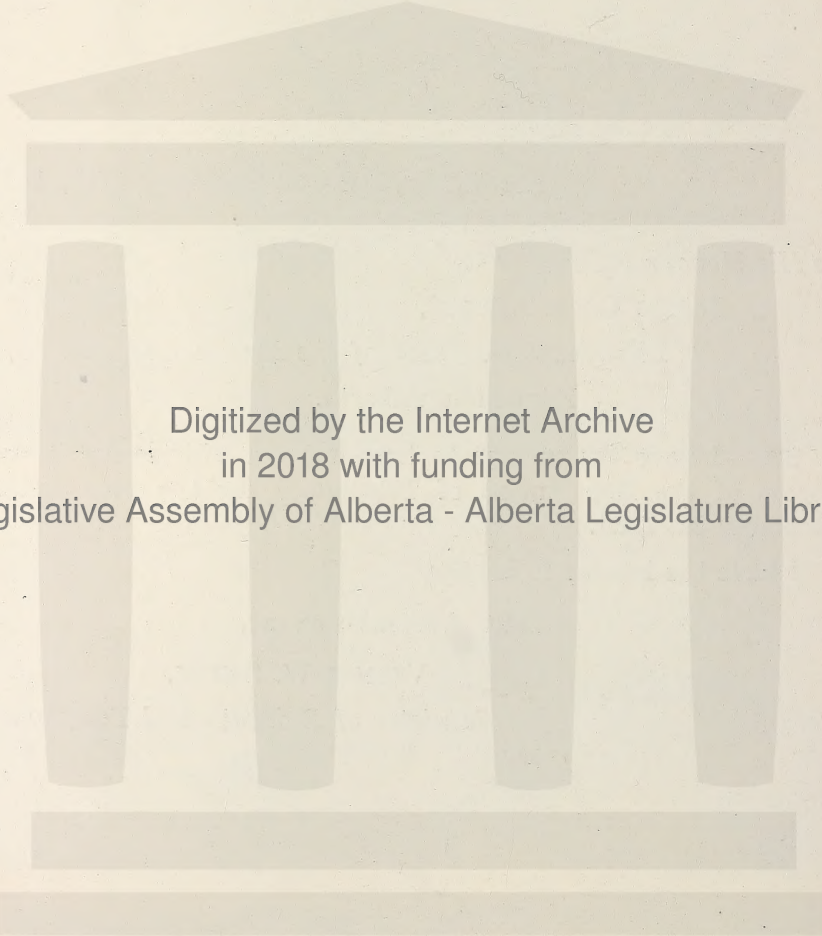
I have the honour to be, Sir,

Your obedient servant,

VERNOR W. SMITH,

Minister of Railways and Telephones.

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EDMONTON, Alberta, February 18th, 1925.

THE HONOURABLE VERNOR W. SMITH,
Minister of Railways and Telephones,
Edmonton, Alberta.

SIR,—I have the honour to submit herewith the Annual Report of the Telephone Department which has been compiled by the General Manager for the year ending December 31st, 1924.

I have the honour to be, Sir,

Your obedient servant,

JOHN CALLAGHAN,
Deputy Minister of Railways and Telephones.

✓ EDMONTON, February 18th, 1925.

JOHN CALLAGHAN, Esq.,

Deputy Minister of Railways and Telephones,

Edmonton, Alberta.

SIR,—I submit herewith the Thirteenth Annual Report of the Alberta Government Telephones for the year ending December 31st, 1924.

CONSTRUCTION.

Exchange Plant Extensions.

It was not found necessary during the past year to make any extensions to our Exchange System. We have installed 904 telephones on our existing Plant at a cost of \$124,773.00 or an average of \$138.00 per telephone. This programme has met the demand for Exchange construction in the Province for 1924.

Toll Line Extensions.

There were no additions to the Toll Line Plant during the year, but due to transfers and replacements, the Plant was increased by \$47,006.00. Repeater Equipment was added to our Toll Plant at Lethbridge to provide facilities for long distance business between our Province and points South of us in the United States. Our transmission to points across the Border has been improved by this installation and it is expected that Interchange business will be extended further South and West in the United States.

Rural Plant Extensions.

During 1924 there were 217 telephones added to our Rural system on estimates or new extension work throughout the Province. In addition to these, there were some 1101 telephones added to the system on routine work. The total cost of this work was \$173,087.00. Over the same period there were 1937 Rural telephones removed. A Net Loss of 619 telephones with an added Investment of \$73,256.00.

Operation and Maintenance.

The standard of service has been steadily improved, the object being to make our service as popular as possible in order to increase the volume of business. Operating Costs were reduced by \$25,247.00 during the year, notwithstanding the fact that Revenue was increased \$37,612.00. The Plant has been maintained

at a reasonable standard at a reduction of \$19,633.00 below the costs for 1923.

Storm Damage.

We were unfortunate in November and December of this year in having two of the worst sleet storms we have had during the life of this system. The November storm wrecked a large amount of Plant in the Ponoka, Wetaskiwin, Lacombe, and Fort Saskatchewan districts, and wrecked a number of Toll lines including our main line between Wetaskiwin and Lacombe. The South country and the territory East of Calgary also suffered some damage, but not to the same extent as the Ponoka-Wetaskiwin territory during that storm. The expense to restore service and replace Plant from the November storm will be approximately \$80,000.00. On December 14th we had another sleet storm which was most serious in the Southern section of the country and the territory East of Calgary, with heaviest damage at Vulcan and between Langdon and Bassano. This storm will cost us approximately \$60,000.00 to re-establish service and replace Plant which was broken and damaged. In addition to the cost of repairing the damaged plant, there was a heavy loss of revenue due to the toll lines and subscribers' telephones being out of order. Owing to weather and road conditions a month, and in some cases six weeks had elapsed before service was completely restored. As will be remembered, during the week following December 14th we had the most severe weather conditions that we have seen in this country for some time which made it almost impossible to carry on outside work. The work done during this weather to restore service cost considerably more than it would have under ordinary conditions. Roads were almost impassable in a good many sections of the country which added further to the difficulties of restoring Plant.

Business Conditions.

Business conditions during the first six months of the year were considerably better than during 1923. Due to poor crops in many sections, this condition did not continue and our earnings dropped below those of 1923 during the Fall months, with the result that long distance revenue did not come up to expectations for the year. We are, however, finishing at the end of the year with \$15,987.00 more Toll Revenue than we had during 1923. Exchange revenue was also increased during the year by \$26,132.00 but Rural revenue was \$4,508.00 less than in 1923. On our Rural Plant we are adding new lines in some sections and taking out telephones in others. The net result is that we are left with a large mileage of dead line, charged against our Plant, earning nothing, but costing the Department money to keep in repair. During the year, we had a net loss of 619 rural telephones with an additional expenditure of \$73,256.00. The new money was spent on extensions and additions in territory where we already had plant operating and no telephone was installed at a cost exceeding \$225.00. The following analysis will show the take-outs and why the telephones are being removed:

Moved away	765
Leaving for Winter	75
Leaving the country	72
Sold property	18
Removed for non-payment	301
Destroyed by fire	39
Could not afford	441
Service not required	132
No reason given	49
Deceased	13
Given local service	19
Refused to pay moving charge	4
Assigned	4
Wishes service with another exchange	2
Refused to sign application form	3
	<hr/>
	1937

It will be seen that very little can be done to improve the situation and the Rural system still remains a big problem to be solved. We have had a net gain of 904 telephones in our exchanges throughout the Province during the year. This has improved our position in Exchange Revenue, so this class of Plant is going in the right direction.

Financial.

Our financial statement for this year is very little different from the one shown last year and the results are approximately the same. We have made a gain of \$37,611.59 in Telephone Revenue and have reduced Controllable Expenses by \$44,880.53, a net gain of \$82,492.12 in Telephone Earnings for the year 1924. On the other hand, interest is \$46,163.00 greater than in 1923. Miscellaneous Revenue has fallen off to the extent of \$38,027.00 and we have added to our expenses this year one-twentieth of the Material Loss set up as Intangible Assets. Due to these changes our deficit is \$7,791.00 greater than in 1923.

In our opinion, this condition will not change until steps are taken to increase the Revenue in this Department. The reasons for our present financial position can easily be traced to inadequate rates which have never, since the beginning of the System, provided sufficient revenue to make it possible to set up a Systematic Reserve to take care of Depreciation, for the Replacement of obsolete and worn-out Plant and as provision against extraordinary damage by storms. These conditions were aggravated by the fact that a large amount of our Plant was constructed at a time when material and labor costs were very high and by the borrowing of money at high interest rates to finance these operations. No provision was made in the rates to take care of this additional expenditure. At the present time, with the rates in effect, we are able to pay only operating expenses and the interest on the investment. We are setting aside no money for Depreciation or Replacement and are rapidly reaching the point when all

of the money that has been earned as surplus in the past and now in the Replacement Reserve will be used up. It should be kept in mind here that during the first fifteen years practically no replacements were necessary. Now we have reached the point where every year brings a good deal of the Plant to an age when replacement is imperative and at least \$300,000.00 per annum will be required for this purpose during the next two or three years with the appropriation increasing annually beyond this.

Expenses have been further increased by the fact that large stocks of material were carried over from the heavy construction programmes resulting in the Department having to write off as a loss on Material account \$491,546.00, the difference between purchase and present market prices. This account has been set up as an Intangible Asset to be written off over a period of twenty years, adding \$24,577.00 to the annual operating expenses of the Department. In addition there were the interest charges on the money invested in the material, and as the investment in overstocks was \$1,400,000 the interest bill amounted to a large sum annually. There are two other items on the Balance Sheet which have never been taken care of in the past; Bond Discount amounting to \$751,271.00, and Interest and Sinking Fund accruals, not taken up in the past years, amounting to \$388,241.00.

All the items mentioned must be carefully considered and while we do not feel that the Department is in a position at the present time to fully correct these deficiencies, yet we feel that rates should be increased to the point where we are able to meet our present obligations and gradually wipe out the accrued obligations of the past.

The following tables will show the relative position of telephone earnings and expenses during the last four years and the increase in Interest and Sinking Fund requirements.

It should be noted that "Telephone Earnings" does not include Miscellaneous Revenue of any kind and that "Telephone Expenses" does not include Interest or Sinking Fund Instalments:

	Telephone Earnings	Telephone Expenses	Number of Telephones
1921	\$2,247,277.	\$1,431,671.	50,611
1922	2,359,551.	1,380,564.	53,421
1923	2,361,468.	1,287,723.	53,896
1924	2,399,080.	1,242,842.	54,215

Interest and Sinking Fund

1919	\$ 517,222.
1920	622,454.
1921	991,030.
1922	1,347,426.
1923	1,340,686.
1924	1,373,631.

Material.

Material stocks at the present time are valued at \$588,956.00. This includes poles to the value of \$189,212.00 which we are still carrying from previous years. We have reduced material stocks during 1924 from \$808,938.00 to \$588,956.00. This has been done by sale and use of materials which we had on hand. It is our intention to still further reduce material stocks during the next year.

Reserves.

Our Balance Sheet at December 31st, 1924, shows reserves totalling \$896,104.84. The Cash Reserves are made up as follows:

Replacement Reserve	\$300,255.69
Sinking Fund Reserve	595,849.15

After Replacements have been taken care of up to December 31st there remains in the Replacement Reserve a cash balance of \$300,255.69. As pointed out in last year's report, the purpose of this reserve is to provide for the replacement of obsolete and worn-out plant and to take care of unforeseen damage such as by sleet storms.

The Reserve is being rapidly depleted and, in fact, the money will be used up by the end of 1925. The sleet storm already mentioned in this Report will reduce the Reserve by approximately \$140,000.00. This is in addition to the actual replacement work carried on during the year. It was pointed out last year that without substantial additions the Reserve would disappear within the next two or three years, and that, in the case of any extraordinary repairs being necessary it would disappear much faster. We are faced now with the extraordinary repairs caused by sleet storms, which means that our Reserve is being used faster than we anticipated.

We have not earned sufficient revenue in 1924 to permit any contribution to the Reserve Fund and steps should be taken to set up a systematic appropriation for this purpose each year. Failure to provide such an appropriation will within the next year leave us without Replacement monies. We shall then be in a position of having to charge replacements to Maintenance resulting in heavy increases in our Maintenance Costs.

Sinking Fund Reserve.

We have at the end of 1924 \$595,849.15 in our Sinking Fund Reserve which is being set up for the purpose of retiring bonds. We contribute annually \$115,510.00 for this purpose.

Remarks.

The Telephone System in the Province covers an area from Athabasca in the north to Cardston in the south, as well as the

Peace River and Grande Prairie Districts and extends from the Saskatchewan boundary to the Rocky Mountains. It is one of the most extensive and up-to-date Long Distance plants on the American Continent, not only providing service between the important Cities and Towns but reaching the far-off settler in isolated districts.

With Rural service the System reaches twenty thousand farms in the Province bringing these people into close touch with market towns as well as providing a means of reaching assistance in case of sickness or difficulty.

In all of the larger cities the System is made up of complete two-wire modern automatic equipment, giving a service in these Exchanges as good as any that can be found.

Our aim has been, and is, to give a Province-wide, high grade Telephone service at reasonable cost and this we believe is being done. Comparisons can be made with other Systems and it will be found that the service is hard to duplicate. It will be found too that our operating costs are low.

The System can be made a real asset to the people of the Province providing rates are increased to a point where replacement work can be taken care of. At the present time rates are low by comparison with other systems and do not take care of the fixed charges on the Plant. If this condition is allowed to continue the System will soon reach the point where it will be a heavy liability rather than an asset.

It is again my pleasure to record the unfailing efforts of our employees. The "Spirit of Service," watchword in the Telephone business, was never better exemplified than in the efforts of our men in restoring service after the storms of November and December under conditions of extreme rigor and hardship which made their task a difficult one. The work of our Traffic Department too, is a matter of pleasant record, working as they did during the storm period to give the best possible service under the most adverse conditions.

I have the honor to be, Sir,

Your obedient servant

R. B. BAXTER,

General Manager.

ALBERTA GOVERNMENT TELEPHONES.
BALANCE SHEET AS AT DECEMBER 31ST, 1924.

ASSETS.

Plant in Service (Cost).

December 31st, 1923.		December 31st, 1924.
\$ 1,059,276.08	Real Estate	\$ 1,069,889.40
3,089,186.85	Equipment	3,140,002.38
2,588,217.34	Exchange Lines	2,673,051.38
6,799,445.06	Rural Lines	6,882,160.11
5,538,901.32	Toll Lines	5,585,908.28
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\$19,075,026.65	Plant in Service	\$19,351,011.55
32,909.81	Construction in Progress	33,948.41
<hr/>		<hr/>
\$19,107,936.46	Total Plant	\$19,384,959.96

Inventory and Supplies.

\$ 78,581.95	Office Furniture	\$ 79,681.36
39,796.09	Tools and Vehicles	38,235.11
808,937.64	Supplies	569,968.03
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\$ 927,315.68		687,884.50

Current Assets.

\$ 300,364.83	Cash	\$ 405,522.75
566,351.33	Treasury Department (Cash and Certificates)	199,467.32
528,299.83	Investments (Province of Al- berta Debentures)	528,299.83
310,196.47	Accounts Receivable	289,287.51
18,183.51	Interest Receivable	9,033.86
46,012.45	Prepaid Expenses	34,277.04
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\$ 1,769,408.42		\$ 1,465,888.31

Special Funds.

\$ 455,095.84	Depreciation and Renewal Re- serve Fund	\$ 300,255.69
449,597.37	Sinking Fund	595,849.15
<hr/>		<hr/>
\$ 904,693.21		\$ 896,104.84

Intangible Assets.

\$ 845,965.23	Debenture Discount	\$ 751,270.75
442,985.93	Loss on Adjustment of Inven- tory	466,968.82
334,847.18	Adjustment of Accrued Interest on Debentures	334,847.18
.....	Adjustment of Accrued Sinking Fund on Debentures	56,228.81
19,755.71	Red Deer—Franchise	16,933.46
<hr/>		<hr/>
\$ 1,643,554.05		\$ 1,626,249.02
<hr/>		<hr/>
\$24,352,907.82		\$24,061,086.63

DEPARTMENT OF TELEPHONES

LIABILITIES.

December 31st, 1923.		December 31st, 1924.
\$23,123,839.02	Debenture Debt	\$22,992,431.24

Current Liabilities.

\$ 334,847.18	Accrued Debenture Interest not due	\$ 332,122.07
.....	Accrued Sinking Fund	56,119.35
10,402.77	Unearned Revenue	15,746.65
<hr/>		
\$ 345,249.95		\$ 403,988.07

Reserves.

\$ 455,095.84	Depreciation and Renewal Reserve	\$ 300,255.69
449,597.37	Sinking Fund Reserve	595,849.15
95,881.10	Special Reserve	8,196.32
<hr/>		<hr/>
\$ 1,000,574.31		\$ 904,301.16
<hr/>		<hr/>
\$ 116,755.46	Corporate Deficit as adjusted at December 31st, 1923...	\$ 115,921.65
.....	Deficit for 1924	123,712.19
<hr/>		<hr/>
\$ 116,755.46		\$ 239,633.84
<hr/>		<hr/>
\$ 883,818.85		\$ 664,667.32
<hr/>		<hr/>
\$24,352,907.82		\$24,061,086.63
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A. M. MITCHELL,

Auditor.

Edmonton, February 13th, 1925.

I have audited the books and records of the Alberta Government Telephones for the year ended December 31st, 1924, and the above balance sheet and accompanying statement of earnings are correctly prepared therefrom.

During the year only actual additions have been charged to plant; replacements and renewals have been charged to depreciation and renewal reserve. With the exception of the sinking fund contribution, \$115,509.73, no charge has been made against earnings for depreciation.

Subject to adequate provision for depreciation, I certify that, in my opinion, the above balance sheet is properly drawn up so as to show the financial position of the Alberta Government Telephones on December 31st, 1924, and the accompanying relative statement of earnings fairly states the results for the fiscal year ended at that date.

JAMES C. THOMPSON, C.A.,

Provincial Auditor.

ALBERTA GOVERNMENT TELEPHONES.

CONDENSED STATEMENT OF EARNINGS.

Telephone Revenue.

December 31st, 1923.		December 31st, 1924.	
\$ 967,506.63	Exchange Earnings	\$ 993,639.05	
486,743.46	Rural Earnings	482,235.90	
907,218.07	Toll Earnings	923,204.80	
<u>\$ 2,361,468.16</u>			<u>\$ 2,399,079.75</u>

Telephone Expense.

\$ 926,337.85	Operation	\$ 901,090.56	
361,384.68	Maintenance	341,751.44	
<u>\$ 1,287,722.53</u>			<u>\$ 1,242,842.00</u>
\$ 1,073,745.63	Net Telephone Earnings		<u>\$ 1,156,237.75</u>

Add: Sundry Earnings.

\$ 13,068.55	Directory Earnings	\$ 7,982.67	
54,691.43	Miscellaneous Earnings	40,728.37	
82,424.93	Interest Earnings	63,447.32	
.....	Profit on Registered Stock....	8,922.17	
<u>\$ 150,184.91</u>			<u>\$ 121,080.53</u>
\$ 1,223,930.54	Total Gross Income		<u>\$ 1,277,318.28</u>

Deduct.

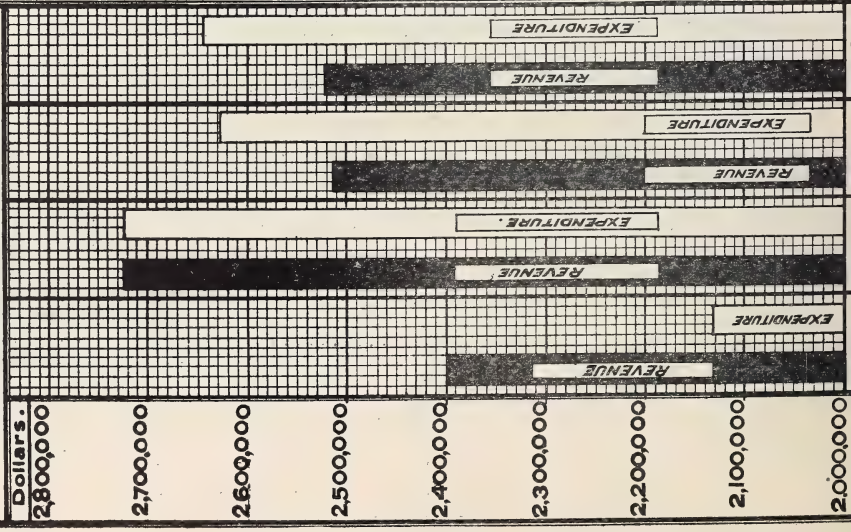
\$ 1,194,072.52	Interest	\$ 1,240,235.75	
1,888.74	Contingencies	86.21	
28,789.93	Bank Commission and Exchange	17,799.23	
<u>\$ 1,224,751.19</u>			<u>\$ 1,258,121.19</u>
<u>\$ 820.65</u>	Operating Surplus		<u>\$ 19,197.09</u>

Other Deductions.

.....	Intangibles Written Down	\$ 27,399.55	
\$ 115,934.81	Sinking Fund Contribution ...	115,509.73	
<u>\$ 115,934.81</u>			<u>\$ 142,909.28</u>
<u>\$ 116,755.46</u>	Total Deficit		<u>\$ 123,712.19</u>

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COMPARISON OF
GROSS REVENUES
WITH
GROSS EXPENDITURES.

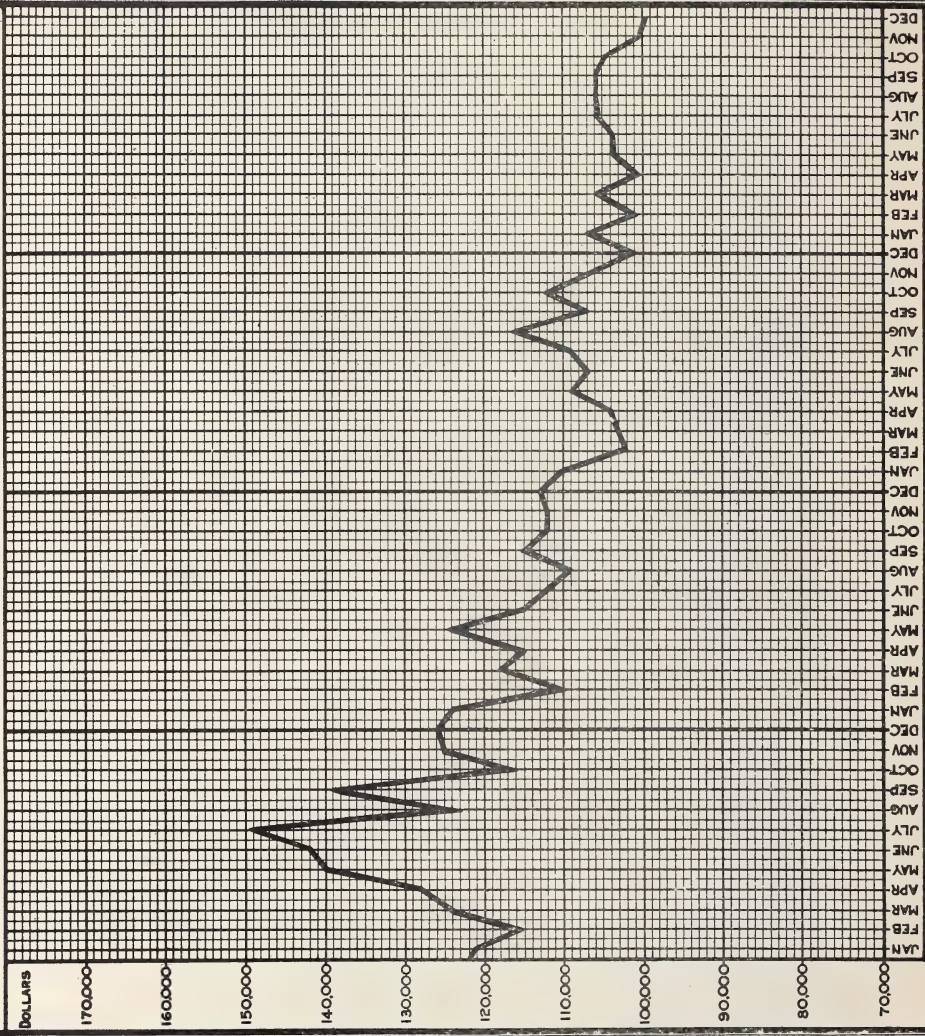


NOTE: All Years show Amounts above common level (\$200,000)

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TELEPHONE OPERATING COSTS

TREND JAN. 1st. 1921 - DEC. 31st. 1924



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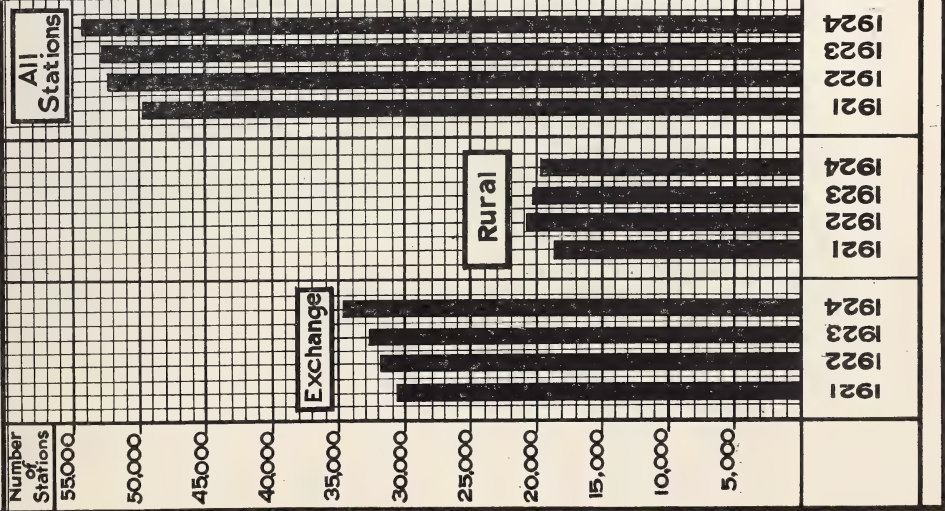
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1922

1921

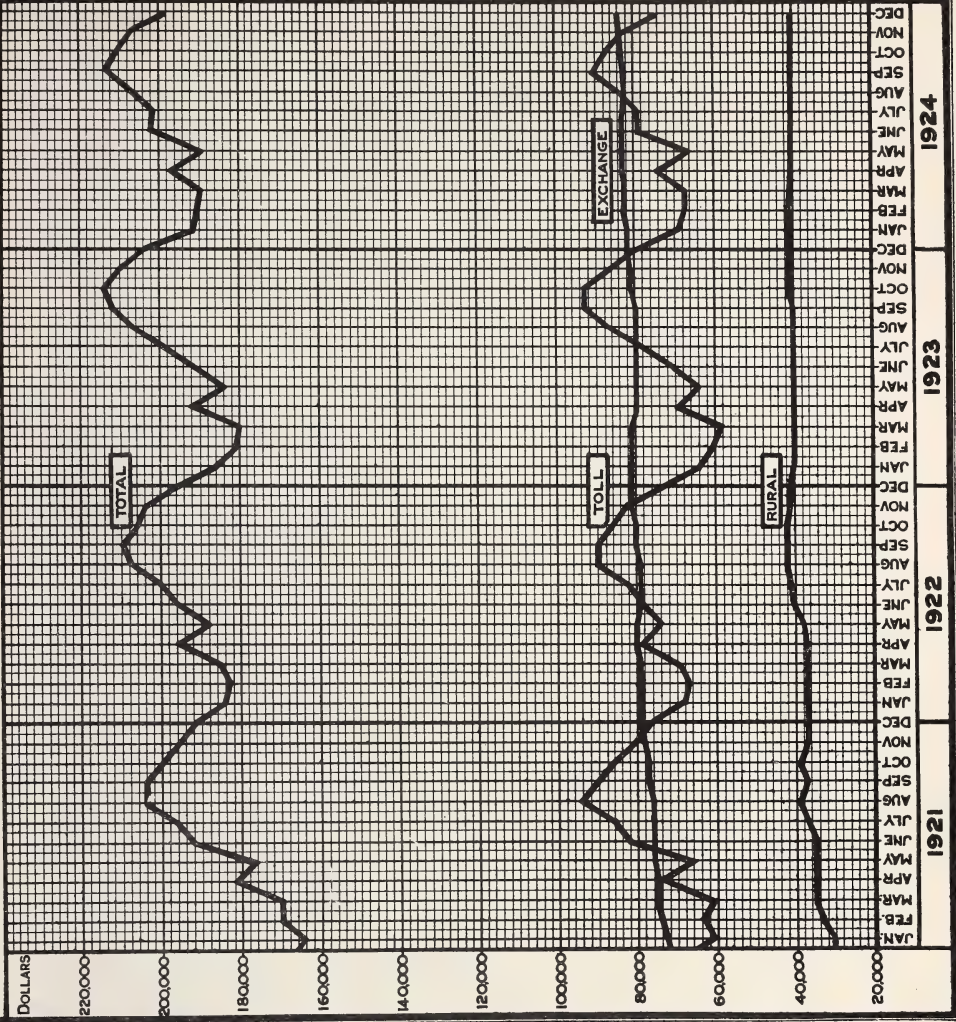
③

STATION GROWTH



②

TELEPHONE REVENUES



COMMERCIAL.

CONDENSED STATION REPORT, 1924.

Exchange Subscribers' Lines	27,776
Exchange Extension Stations	2,540
Exchange P. A. X. Stations	68
Exchange P. B. X. Stations	2,275
Pay Stations	509
Toll Stations	297
Rural Subscribers' Lines	19,631
Total	53,096

STATEMENT OF EXCHANGES AND TOLL OFFICES
IN THE PROVINCE, 1924.

Number of Alberta Government Telephone Exchanges	273	
Number of Alberta Government Telephone Toll Offices		297
Number of Alberta Government Telephone Exchange Stations		33,168
Number of Alberta Government Telephone Rural Stations		19,631
Number of Private-owned Party Lines....	64	
Number of Private-owned Party Line Stations		1,119
Number of Connecting Exchanges	2	
Number of Connecting Exchange Stations		13,442
Total		67,657

PLANT.

TOLL WORK UNDERTAKEN AND COMPLETED, 1924.

Pole Miles.	Wire Miles.
84.75	140.75

Rural Subscribers added on Contract Work Orders throughout Province:

Subscribers	1,101
-------------------	-------

Total Rural Mileage Built 1924:

	Pole	Wire	Subs
(a)	152.75	197.50	217
(b)	1,101
Run-offs	32.50
	185.25	197.50	1,318

TRAFFIC.

GENERAL STATISTICS FOR YEAR ENDING DECEMBER 31, 1924.

Traffic Pay Roll Offices	37
Offices Giving Continuous Service	77
Offices Giving Semi-Continuous Service	9
Toll Centers	123
Tributary Offices	453
Number of "Out" L. D. Tickets completed and billed	2,318,114
Number of "Other Line" Offices in Alberta connecting with this System	1
Number of "Other Line" Offices in Saskatchewan connect- ing with this System	461
Number of "Other Line" Offices in Manitoba connect- ing with this System	238
Number of Mountain States Telephone and Telegraph Company's Offices connecting with this System..	540
Number of Kootenay Telephone Lines Limited Offices connecting with this System	32
Total number of Cities, Towns and Hamlets in Alberta having telephone connection	974
Offices using Morse Service for Departmental Business	2
Number of Physical L. D. Lines	250
Number of Phantom L. D. Lines	22
Number of Part Phantom and Part Physical L. D. Lines	31
Number of Simplex Telegraph Lines	1
Number of (Carrier) Multiplex Lines	2
Total Number of L. D. Lines	306
Phantom (Metallic) L. D. Circuit Mileage	2,726
Physical L. D. Circuit Mileage	35,502
Morse Simplex L. D. Circuit Mileage	202
Carrier L. D. Circuit Mileage	404

Included in the above data is the Peace River
District which is composed of the following:

Toll Centers	4
Tributary Offices	29
Number of Physical L. D. Lines	4
Number of Phantom L. D. Lines	1
Total Long Distance Mileage	599

